

Fact Sheet

Module 11: Earned Income Credit

A tax credit is a dollar-for-dollar reduction of the tax. A refundable tax credit is a tax credit that permits a refund of the amount of the credit that exceeds the amount of the tax. The earned income credit is a refundable tax credit for certain people who work and whose earned income and adjusted gross income are under a specified limit. Many rules apply to the earned income credit. The credit is generally determined by the taxpayer's adjusted gross income, earned income, filing status, and the number of qualifying children, if any. If adjusted gross income is the same, taxpayers with more than one qualifying child receive the highest earned income credit, and taxpayers without a qualifying child receive the lowest earned income credit. The earned income credit reduces the tax. Eligible taxpayers can receive the earned income credit even if their tax is zero.

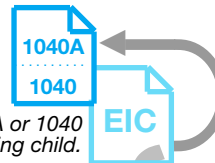
SCHEDULE EIC
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on return

Earned Income Credit

Qualifying Child Information

Complete and attach to Form 1040A or 1040
only if you have a qualifying child.



OMB No. 1545-0074

2011

Attachment
Sequence No. **43**

Your social security number

Before you begin:

- See the instructions for Form 1040A, lines 38a and 38b, or Form 1040, lines 64a and 64b, to make sure that **(a)** you can take the EIC, and **(b)** you have a qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See page 2 of schedule for details.
- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.

Qualifying Child Information

Child 1

Child 2

Child 3

	First name	Last name	First name	Last name	First name	Last name
1 Child's name If you have more than three qualifying children, you only have to list three to get the maximum credit.						
2 Child's SSN The child must have an SSN as defined in the instructions for Form 1040A, lines 38a and 38b, or Form 1040, lines 64a and 64b, unless the child was born and died in 2011. If your child was born and died in 2011 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate, death certificate, or hospital medical records.						
3 Child's year of birth	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	Year _____ <i>If born after 1992 and the child was younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>
4 a Was the child under age 24 at the end of 2011, a student, and younger than you (or your spouse, if filing jointly)?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. Go to line 4b.</i>
b Was the child permanently and totally disabled during any part of 2011?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5. The child is not a qualifying child.</i>
5 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)						
6 Number of months child lived with you in the United States during 2011 • If the child lived with you for more than half of 2011 but less than 7 months, enter "7." • If the child was born or died in 2011 and your home was the child's home for the entire time he or she was alive during 2011, enter "12."	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>	_____ months <i>Do not enter more than 12 months.</i>

Rules for Everyone

- Taxpayer must have valid Social Security number.
- Taxpayer must have earned income.
- Taxpayer cannot use the married filing a separate return filing status.
- Taxpayer generally must be U.S. citizen or resident alien all year.
- Taxpayer cannot claim an exclusion for income earned in a foreign country.
- Taxpayer cannot have more than \$3,100 in investment income.
- Taxpayer cannot be a qualifying child of another person.

Rules for Taxpayers with a Qualifying Child

To be a qualifying child, the child must meet the following tests:

Relationship

- son, daughter, stepson, stepdaughter, or descendant
- brother, sister, stepbrother, stepsister, or descendants
- eligible foster child, a child placed with the taxpayer by an authorized agency, whom the taxpayer cares for as the taxpayer's own child

Age

- Under age 19 or
- Under age 24 and a full-time student or
- Any age if permanently and totally disabled

Residency

- Lived with taxpayer in the United States for more than half of the tax year
- The taxpayer cannot be the qualifying child of another person.
- A person can be claimed as a qualifying child on one tax return only.

Additional Rules

- To claim the credit with a qualifying child, the child must have a Social Security number.
- If more than one taxpayer has the same qualifying child, they can choose which of them will claim the credit with that child. If both actually claim the credit with that child, the IRS will apply the tiebreaker rules.
- The definition of a qualifying child changed in 2010. Here are the changes:
 - To be your qualifying child, the child must be younger than you.
 - A child cannot be your qualifying child if he or she files a joint return, unless the return was filed only as a claim for refund.
 - If the parents of a child can claim the child as a qualifying child but no parent claims the child, no one else can claim the child as a qualifying child unless that person's AGI is higher than the highest AGI of any parent of the child.

Rules for Taxpayers Without a Qualifying Child

The taxpayer

- must be at least age 25 but under age 65.
- cannot qualify as a dependent of another person.
- must have lived in the United States for more than half of the tax year.
- cannot be the qualifying child of another person.

Summary of the Rules for Claiming an Exemption for a Dependent

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is only a claim for refund and there would be no tax liability for either spouse on separate returns.
- You cannot claim a person as a dependent unless that person is a U.S. citizen or resident, or a resident of Canada or Mexico, for some part of the year.¹
- You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
<ol style="list-style-type: none">1. The child must be your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.2. The child must be (a) under age 19 at the end of the year, (b) under age 24 at the end of the year and a full-time student, or (c) any age permanently and totally disabled.3. The child must have lived with you for more than half of the year.²4. The child must not have provided more than half of his or her own support for the year.5. If the child meets the rules to be a qualified child of more than one person, you must be the person entitled to claim the child as a qualifying child.	<ol style="list-style-type: none">1. The person cannot be your qualifying child or the qualifying child of anyone else.2. The person either (a) must be related to you in one of the ways listed under <i>Relatives who do not have to live with you</i>, or (b) must live with you all year as a member of your household.²3. The person's gross income for the year must be less than \$3,700.4. You must provide more than half of the person's total support for the year.⁴

¹ There is an exception for certain adopted children.

² There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents, and kidnapped children.

³ There is an exception if the person is disabled and has income from a sheltered workshop.

⁴ There is an exception for multiple support agreements.